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Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In The Matter of	)	
	)	
Amendment of the Commission's Rules and	)	
Policies to Increase Subscribership and	)	CC Docket No. 95-115
Usage of the Public Switched Network	)	

To: The Commission:

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COMMENTS OF THE TELECOMMUNICATIONS RESELLERS ASSOCIATION

The Telecommunications Resellers Association ("TRA" or "Association"), by its attorneys, hereby submits its Comments in response to the Notice of Proposed Rulemaking ("NPRM") released July 20, 1995.

I. INTRODUCTION

TRA lauds the Commission's efforts to increase telephone subscribership in this country. Although it is unrealistic to believe that 100% of the population will someday subscribe to telephone service, the Commission should strive to reach that goal through measured solutions that should increase subscribership without unreasonably disadvantaging carriers. The Commission should focus first on existing programs and additional measures, discussed below, that could supplement those programs. Other initiatives, targeted at helping subscribers learn to control the cost of telephone service, should also be explored, since disconnection of service for failure to pay long-distance charges accounts for a significant portion of households that do not have telephone service. Unless existing measures and the proposals discussed herein prove to be ineffective, prohibiting disconnection of local service for nonpayment of long-distance bills should be unnecessary to increase telephone subscribership.

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II. ARGUMENT

A. Prohibiting disconnection of local service should be a measure of last resort if other means for increasing subscribership fail.

The Commission has observed that "disconnection from the public switched network is the primary reason households do not subscribe to telephone service; and the most common reason for disconnection is inability or failure to pay for long-distance usage."[1] Thus, if a solution exists that would enable subscribers to control the cost of long-distance telephone calls placed from their telephones, their ability to pay for those calls, and thereby avoid disconnection, would increase subscribership by reducing the incidence of disconnection.

The answer is not to allow subscribers to make unlimited telephone calls with the confidence that their local service will not be disconnected if they are unable to pay. Such an approach misallocates resources, encourages wasteful use of telecommunications services, and shifts the burden and cost of managing telecommunications resources from subscribers, who are best positioned to control use, to carriers. By restricting carriers' ability to sanction subscribers for nonpayment of toll call charges, prohibiting disconnection of local service would needlessly burden long-distance carriers, particularly smaller carriers and new market entrants, when less burdensome solutions are available for achieving the same purposes. Carriers' losses resulting from uncollected charges and the increased cost of collecting toll charges could result in increased rates for all ratepayers. Moreover, merely prohibiting disconnection of local service for nonpayment of long-distance charges could reinforce irresponsible use of long-distance service at the expense of long-distance carriers.

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[1] NPRM at § 27 (footnote omitted).

Proposals that enable telephone subscribers to control the use of long-distance service within their households, on the other hand, would serve an educational function that ultimately would benefit those subscribers by helping them match their use of long-distance service to their budgets. As the Commission noted in the NPRM, it appears to be settled that "inability to control long-distance usage was a major cause of disconnection of telephone service."[2/] And a recent study of non-subscribership in California concluded:

> Finding ways to help people control their calling charges (call control) will do more than any other single thing to keep people on the network and thus, over time, increase penetration.[[3/]]

Enabling abuse of long-distance service and the incurrence of unmanageable debt in the form of unpaid long-distance charges will not increase telephone subscribership, but will in fact exacerbate the problem that underlies a high percentage of disconnection of local service -- inability to control long-distance usage. The proposals discussed below, on the other hand, apply solutions to the root of the problem, and, over time, will help low-income subscribers learn to control long-distance charges and avoid incurring uncontrollable debt. In this way, they are consistent with the Commission's expectation that it "may find that universal service

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2/ NPRM at 10 & n. 9 (citing studies conducted by the Regional Bell Operating Companies (the "RBOCs") and the GTE Telephone Operating Companies, Inc. ("GTE"), in response to the request of the Joint Board established in CC Docket No,. 80-286 and reported in MTS and WATS Market Structure; Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board; Establishment of a Program to Monitor the Impact of Joint Board Decision, CC Dockets Nos. 78-72, 80-286, and 87-339, FCC 89J-3 (1989) ("Second Study and Report") at 15, ¶ 24).

3/ "Affordability of Telephone Service -- A Survey of Customers and Non-Customers," conducted by Field Research Corporation, funded by GTE and Pacific Bell, and mandated by the California Public Utilities Commission, Presentation Pamphlet (1995) at 6 (cited at NPRM ¶ 13 & n. 17).

programs promoting subscribership must be more sharply focused and directed at the specific causes of disconnection."[4]

B. The Commission should encourage the use of prepaid calling cards as a tool for controlling use of long-distance service, and require local exchange carriers to offer prepaid calling card service to subscribers who demonstrate an inability to control long-distance charges.

1. Prepaid calling cards permit subscribers to place long-distance calls in a controllable manner.

As the Commission has observed, "long-distance services differ from most consumer products in that one does not know how much one has spent until the end of the month when a bill arrives. Thus, controlling one's usage is more difficult than for most other expenditures."[5]

Prepaid calling cards solve the problem identified by the Commission by providing a mechanism through which telephone subscribers can control the use of long-distance service by members of their households. If the owner of a prepaid calling card has no alternative method of paying for toll calls other than with the calling card, his use of long-distance services will be limited to the aggregate charges for toll calls that can be purchased with the card. In that way, a card holder avoids incurring debt when making long-distance calls, thereby foreclosing the possibility that an unexpectedly large bill for toll calls will arrive at the end of the month.

Prepaid calling cards help users learn to keep their use of long-distance services within their budgets, by requiring them to "pay as they go."[6] Of course, to the extent that

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[4] NPRM at ¶ 15.

[5] NPRM at ¶ 14.

[6] In this way, prepaid calling cards are similar to debit cards, which afford users purchasing convenience enjoyed by holders of credit cards without requiring the users to establish their creditworthiness in advance.

the value of a card is insufficient for a caller's needs, he can purchase additional cards. The use of prepaid calling cards should therefore be encouraged as a means of preventing unexpectedly large long-distance bills that could result in disconnection of local service.

2. To reduce disconnection of local service because of uncontrollable toll-call debt, the Commission should require local exchange carriers to offer prepaid calling card billing.

The use of prepaid calling cards as a payment mechanism for toll calls will only prevent mounting monthly long-distance bills if the subscriber and other members of his household are unable to place long-distance calls directly without the cards, to accept collect calls, and to bill calls to their local telephone number through some other device. It appears from the NPRM that the technology exists to block toll calling except when calls are billed in a permitted manner.[7] Thus, not only should the Commission encourage the proliferation of prepaid calling cards, but it should require the local exchange carriers ("LECs") to offer prepaid calling card-only billing to subscribers who demonstrate an inability to control the use of long-distance services. In addition, the Commission should require LECs to offer prepaid calling card-only billing service to resellers of local service so that they can compete for prepaid calling card-only customers.

This option would enable subscribers to continue to place long-distance calls from their own telephones as well as other telephones and to maintain their local service, while shielding long-distance carriers from the burden of decreased inability to collect toll charges that would result from a prohibition on disconnection of local service for nonpayment of long-distance charges.

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[7] NPRM at ¶¶ 16-18.

Of course, the LECs should be permitted to recover their costs and earn a reasonable return on this service. Experience in various jurisdictions, however, demonstrates that the costs of, and charges for, long-distance blocking service should be modest. As the Commission recited, charges by Bell Atlantic for long-distance blocking currently range from no charge (if selected by the customer when service is initiated in Pennsylvania) to a one-time charge of $10 (in Maryland) to a one-time charge of $10, with monthly charges of $3 (in the District of Columbia).[8]

By requiring subscribers to use only prepaid calling cards to pay for their long-distance charges, the risk of disconnection will be significantly reduced, since non-payment of long-distance charges is the most predominant cause of disconnection of telephone service. Moreover, the cost of such a solution would apparently be modest and would be offset by the benefits of increased subscribership, subscribers not bankrupted by immense, unexpected long-distance bills, and carriers not unreasonably burdened by uncollectable charges.

B. The effectiveness of existing programs should be evaluated and, if necessary, improved, before new measures are adopted.

1. The Commission should critically evaluate the Universal Service Fund, Link Up America, and Lifeline programs and determine whether they are adequately serving their intended purposes.

A number of existing programs, both state and federal, have been initiated to increase telephone subscribership, including the Universal Service Fund,[9] Link Up America,[10]

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[8] NPRM at 16 & n. 21.

[9] See Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, 93 F.C.C.2d 241 (1983).

[10] See MTS and WATS Structure, Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, 2 F.C.C. Rcd. 2953 (1987).

and Lifeline Assistance[11/] programs. Before implementing new measures to increase subscribership -- particularly measures that would unreasonably burden carriers and potentially result in increased costs that would ultimately be passed onto ratepayers -- the Commission should evaluate weaknesses in these existing programs and methods for improving them.

In California, only 20% of households eligible for Lifeline assistance are not currently receiving such assistance. California has adopted a "streamlined" certification process for Lifeline service applicants, which the Commission has characterized as "very successful in attracting eligible households to the Lifeline program."[12/] California's experience may be replicated in other states if they adopt streamlined application procedures similar to California's.

If the level of financial assistance available under existing programs is insufficient to meet the needs of prospective telephone subscribers, the Commission could adopt guidelines to encourage private contributions to supplement those funds. One example of such an initiative in another utility industry is Washington Gas Company's voluntary Fuel Fund, to which ratepayers can make contributions when they pay their monthly gas bills. The Fuel Fund is used to assist low-income households purchase gas service. The Commission could encourage private contributions to supplement existing financial assistance programs by requiring LECs to permit their customers to include contributions with their monthly payments. Although such a requirement would impose costs on the LECs, the increase in subscribership that might result from the initiative could offset the costs, at least in part. As the Commission has noted,

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11/ See MTS and WATS Market Structure - Amendment of Parts 67 and 69 of the Commission's Rules and Establishment of a Joint Board, 50 Fed. Reg. 939 (1985); MTS and WATS Market Structure - Amendment of Part 69 of the Commission's Rules and Establishment of a Joint Board, 51 Fed. Reg. 1371 (Dec. 1986).

12/ NPRM at ¶ 52 & n. 64.

"the local telephone company is a primary beneficiary of expanded subscribership [in that] [i]ncreased subscribership gives [the] local telephone company new sources of revenue."[13/]

2. The Commission should promote consumer education to broaden awareness of subscriber assistance programs and methods of controlling telephone bills.

Another improvement to existing programs, identified by the Commission, would be to improve consumer education. The Commission has noted that "[e]ducation could play an important role in assisting subscribers to both control their long-distance usage and to take full advantage of available discount plans and promotional offerings."[14/]

As with the raising of funds to provide financial assistance to low-income subscribers, consumer education would be enhanced by a combined public/private, federal/state effort. Educating consumers to available sources of assistance and methods of controlling costs could prove less costly to both the public and private sectors than other measures, such as prohibiting the disconnection of local service where subscribers fail to pay their long-distance bills or increasing public funding of financial assistance programs.

Moreover, LECs already have marketing programs and budgets in place that could be slightly re-directed to include consumer information geared toward increasing subscribership. Monthly bills could also be used as a relatively inexpensive vehicle for keeping existing subscribers apprised of ways they can maintain their telephone service by controlling its cost.

Finally, the Commission has procedures in place which it has used to educate the public about developments expected to be of widespread interest, such as the promulgation of the telemarketing rules under the Telephone Consumer Protection Act. Such procedures

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13/ NPRM at ¶ 47.

14/ NPRM at ¶ 50.

could be used to inform consumers about available financial assistance and ways to control their cost of telephone service.

C. Policies that promote competition will result in lower local and long-distance rates that eventually will enable more consumers to subscribe to telephone service.

In numerous instances, the Commission has recognized that increased competition among service providers will result in a proliferation of alternative service providers, innovative service offerings, and lower rates. Continued enforcement of existing policies, such as mandated open, nondiscriminatory opportunities for resale of interexchange service,[15/] expanded interconnection with LEC facilities,[16/] and 800 number portability[17/] should continue to produce a downward trend in rates that gradually will result in wider telephone subscribership.

In addition, policies presently under consideration by the Commission, such as telephone service provider number portability[18/] and mandatory interconnection with commercial mobile radio service ("CMRS") provider facilities[19/] should be adopted to further

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15/ *E.g.*, Resale and Shared Use - Private Lines, 60 F.C.C.2d 261 (1976), recon., 62 F.C.C.2d 588 (1977), aff'd sub nom. AT&T v. FCC, 572 F.2d 17 (2d Cir.), cert. denied, 439 U.S. 875 (1978); Regulatory Policies Concerning Resale and Shared Use of Common Carrier Domestic Public Switched Network Services (Report and Order), 83 F.C.C.2d 167 (1980).

16/ Expanded Interconnection with Local Telephone Company Facilities, 7 F.C.C. Rcd. 7369 (1992).

17/ 800 Access (Notice of Proposed Rulemaking), 102 F.C.C.2d 1387 (1986).

18/ See Telephone Number Portability, CC Docket No. 95-116, Notice of Proposed Rulemaking (released July 13, 1995).

19/ See Interconnection and Resale Obligations Pertaining to Commercial Mobile Radio Services, CC Dkt. No. 94-54, Second Notice of Proposed Rule Making, FCC 95-149 (released April 20, 1995).

enhance competition in segments of the telecommunications industry where full competition does not exist. The lower rates and proliferation of numerous alternative service providers and advanced service offerings that have resulted from the Commission's interexchange resale policies are testimony to the benefits that such policies bring to consumers.

III. CONCLUSION

For the foregoing reasons, the Commission should evaluate existing assistance programs to determine whether changes should be made to make them more effective. In addition, it should increase consumer education of assistance programs, through cooperative federal/state and public/private efforts. Finally, the Commission should encourage the proliferation of prepaid calling cards and other measures for subscribers to control their long-distance charges. Prohibiting disconnection of local service will not address the root cause of telephone disconnection for nonpayment of long-distance charges -- the inability of subscribers to control those costs.

Respectfully submitted,

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September 27, 1995